INTERNATIONAL INVESTMENT

INTERNATIONAL EDITION

SPECIAL REPORT: FINTECH

HOW TECHNOLOGY IS SHAPING THE FUTURE OF INTERNATIONAL FINANCIAL SERVICES

CONTENTS

News • Analysis • Video • Features

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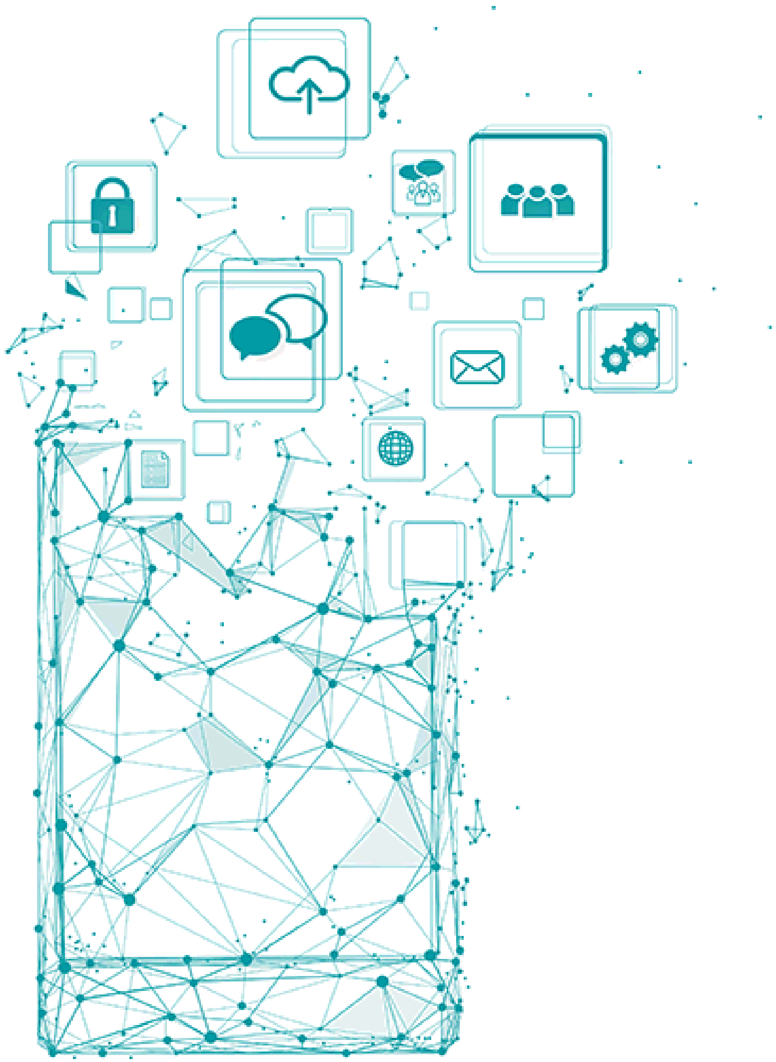

HANSARD WORLDWIDE

OUR TECH, AT YOUR SERVICE

OUR MARKET-LEADING SERVICE AND AWARD-WINNING ONLINE SYSTEMS CAN HELP YOU AND YOUR CLIENTS REACH THEIR GOALS

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INTRODUCTION

Christopher Copper-Ind on how fintech is re-writing the way companies operate

"AS FINTECH'S REACH EXTENDS FURTHER, ITS ATTRACTIVENESS TO CYBERCRIMINALS GROWS. MUCH OF THE INDUSTRY IS IN A VICIOUS CIRCLE BETWEEN INNOVATION AND SECURITY"

– Christopher Copper-Ind, publisher, International Investment

RE-WRITING THE RULEBOOK

Financial technology is re-writing the way companies operate, at every level. As fintech's reach extends further, its attractiveness to cybercriminals grows. Much of the industry is in a vicious circle between innovation and security. Regulation is adding another layer of complexity in this rapidly-changing, and increasingly crowded, landscape.

In December, *International Investment* was a media partner for FinTech Connect, Europe's largest fintech conference, where I moderated a panel on regulation and technology. Speaking on the panel, Jo Ann Barefoot, chief executive and founder of Barefoot Innovation and co-founder of Hummingbird Regtech, a new-generation technology firm focused on AML, pointed out that the fintech sector is worth $2.5trn worldwide – the equivalent to the UK's GDP last year.

Elsewhere in this special report, Pedro Gonçalves asks if the robo-advice revolution is without risk. And in our Frontrunners article, Hansard's Gareth Maguire explains why the role of the back office is vital to delivering on the high expectations generated by new financial technology. Our exclusive adviser video features deVere's Nigel Green and our Asia feature highlights how the proliferation of smartphones as payment devices and maturing investment knowledge has created a vibrant demand for new money management services.

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OLD MUTUAL INTERNATIONAL

INTERNATIONAL NEWS

Round-up of the latest news around the globe, with a special focus on Technology

UNITED KINGDOM

FINTECH EXPERTS WARN OF CYBERCRIME THREAT

Cybercrime remains a major threat to fintech and consumers as the industry keeps evolving rapidly and regulation tries to keep up, according to an expert panel at FinTechConnect in London, held in December.

The roundtable debate, moderated by *International Investment*'s publisher, Christopher Copper-Ind, revealed the extent of the problem (click on the video, right to view highlights).

“Totalling $2.trn, it is equivalent to the GDP of the whole of the UK,” said Jo Ann Barefoot, chief executive and founder of Barefoot Innovation and co-founder of Hummingbird Regtech, a new-generation technology firm focused on AML.

Speaking about the need for a integrated approach to regulation and technology, she also noted that there is something of an uneven playing field in fintech.

"I have to worry about data privacy... others do not," Barefoot added.

Barefoot was speaking as part of a panel looking at “Taking an Integrated Approach to Regulation and Technology”.

The panel was in agreement on the need to maintain innovation to remain ahead of the cybercriminals, and expressed some relief that regulators working more closely with tech companies to develop integrated solutions.

The panel consisted of: Ellen Zimiles, managing director, financial services advisory, at Navigant; Barney Gregory, sales director of HooYu.com, Ken Davis; technical director at Avoka; Christopher Copper-Ind, publisher of *International Investment*; Christophe Gouelo, head of regtech consulting at BNP Paribas; and Jo Ann Barefoot, founding CEO of Barefoot Innovation in Washington DC.

Now in its fourth year, FinTech Connect is one the UK's largest and fastest growing financial trade show. The conference draws over 5,000 delegates from 1,800 companies. *International Investment* is a media partner for the event. **PHG**

For more fintech news, visit: www.internationalinvestment.net.

GLOBAL

FINTECH COMPANIES SET NEW FUNDING RECORD

HSBC has officially opened its new Middle East headquarters, a $250m investment in Downtown Dubai which boasts 236,000 square feet of workspace to house 3,000 employees.

Venture capital-backed fintech companies set a new record last year with investors across the world raising $39.57bn, up by 120% from the preceding year, according to data published by research firm CB Insights.

The number of deals is also up from the 1,480 in 2017. The 120% increase, according to research data, was mostly due to 52 deals that saw investments over $100m and made up for $24.88bn, the bulk of the total amount.

35% of the total investments in fintech companies last year was held by $14bn in funding raised by Ant Financial, the payment affiliate of China's Alibaba.

In the last three months of the year, five companies joined the coveted ranks of fintech unicorns, or companies valued at more than $1bn. These include credit card provider Brex, digital bank Monzo and data aggregator Plaid.

Asian deals grew by 38% in 2018 from the previous year, the highest rise globally worth $22.65bn, the data revealed. Europe, however, saw a decline in deal volume even as the deal value hit a record high of $3.53bn.

According to data analytics platform Tracxn, fintech has also been among the top three sectors in India. In 2016, fintech companies raised $619m in 180 deals; in 2017, the number went up to over $2bn across 183 deals. Last year, the deal value went down to $1.5bn invested through 175 deals.

Fintech companies in the US raised a record $11.89bn in 659 investments. **PHG**

HONG KONG

HONG KONG CONSUMERS SAY FINTECHS ARE AS TRUSTWORTHY AS BANKS

The vast majority of consumers in Hong Kong believe fintech companies and the services they provide are as trustworthy as traditional banks, according to a survey.

Seven in every ten (70%) Hong Kongers said to have the same level of trust between fintech and banks, the study from MHP Communications revealed.

However, only 8% believe that fintech deserve their trust more than their own banks whilst 22% admit that fintech companies are less trustworthy than their tried-and-tested financial services providers.
Banks occupy four of the top five most trusted brands in Hong Kong's financial services sector with HSBC as number one. Bank of China and

Hang Seng Bank follow in at second and third place respectively whilst insurer AIA nabs fourth place and Standard Chartered rounds out the top five, as local news outlet Hong Kong Business reports.

The level of confidence Hong Kong has in fintech over banks is very different than what happens in India and China where a little over a third (32%) of consumers believe that new players are more trustworthy than traditional companies amidst greater integration of fintech offerings like Alipay and WeChat Pay. **PHG**

GLOBAL

HSBC BANKS ON BLOCKCHAIN TECH TO PROCESS $250BN WORTH OF FX TRANSACTIONS

HSBC has processed more than 3 million FX transactions worth $250bn using blockchain technology in the past year, suggesting banks are starting to see the technology behind cryptocurrencies as a legitimate tool.

The bank said it had made "significant efficiencies" while using its distributed ledger technology (DLT) product, HSBC FX Everywhere, a programme used to co-ordinate payments across HSBC's internal balance sheets using a shared ledger for the last year.

In a statement, the bank revealed it had been using a share-permissioned ledger for payments on its internal balance sheets.

“It transforms the process around intra-company foreign exchange activity, automating several manual procedures and reducing reliance on external settlement networks,” HSBC said.

The DLT was used for 3 million FX transactions and 150,000 payments, which HSBC admitted was a small proportion when compared with traditional processes.

Blockchain technology enables multiple parties to have simultaneous access to a digital ledger which is updated in real-time and cannot be tampered with.

Banks – and other mainstream financial firms – have long been sceptical about cryptocurrencies such as Bitcoin, but are taking a different view when it comes to the technology underpinning it. PHG


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EUROPE

CRYPTO ASSETS FACE EU-WIDE REGULATION

The European Securities and Markets Authority (ESMA) has called for the establishment of an EU-wide approach to the regulation of crypto assets and initial coin offerings (ICOs), without which it believes investors are "exposed to substantial risks".

In addition, the regulator has called for crypto assets and related activity to be brought under the umbrella of anti-money laundering requirements.

In its advice to European lawmakers, ESMA identified gaps in the current EU financial regulatory framework preventing the effective control of new and existing crypto assets, such as Bitcoin.

Specifically, ESMA said crypto assets which currently already qualify as financial instruments under the MIFID directive require "re-consideration of specific requirements" for existing regulations to effectively apply to them.

For those that do not qualify as financial instruments, ESMA said the absence of regulation and associated risk disclosures leaves investors unaware of "the potential risks" prior to investment.

Commenting on the approach, regulatory counsel at law firm Ashurst, Lorraine Johnston said: "An EU-wide approach makes sense but the difficulty will be getting a model which fits all interests, including making the EU an attractive forum for issuers and traders. This, however, is a positive step in the right direction."

ESMA also confirmed it had been working with national competent authorities (NCAs) such as the UK's Financial Conduct Authority (FCA) in forming its opinion.

For its part, the FCA is currently engaged with the HM Treasury-led Cryptoasset Taskforce, which in

"A NUMBER OF CRYPTO ASSETS FALL OUTSIDE THE CURRENT FINANCIAL REGULATORY FRAMEWORK. THIS POSES SUBSTANTIAL RISKS TO INVESTORS WHO HAVE LIMITED OR NO PROTECTION WHEN INVESTING IN THOSE CRYPTO ASSETS"

Steven Maijoor, European Securities and Markets Authority

October 2018 published its own assessment of the risk associated with crypto assets and its approach to regulation.

The UK's Cryptoasset Taskforce is expected to publish a consultation by the first quarter of this year which will seek to impose a potential complete prohibition of the sale of crypto-referencing derivatives to retail consumers, including CFDs, futures, options and transferrable securities.

Commenting on ESMA's crypto asset advice, its chair Steven Maijoor said: "Because the existing rules were not designed with these instruments in mind, NCAs face challenges in interpreting the existing requirements and certain requirements are not adapted to the specific characteristics of crypto assets.

"Meanwhile, a number of crypto assets fall outside the current financial regulatory framework.

"This poses substantial risks to investors who have limited or no protection when investing in those crypto assets." **MS**

SINGAPORE

SWISS FTS OPENS ITS SINGAPORE DATACENTRE

Corporate investigations firm Swiss FTS is expanding its services in Asia with the launch of a datacentre in Singapore.

A little more than a year after launching its first Asian office in Singapore, Swiss FTS, founded in 2010 in Zurich, Switzerland, has now opened its Singaporean datacentre. The firm is now able to host data for investigations locally on servers in Singapore.

"We are delighted to extend and offer our award-winning service to our clients in this region," Mattias Aggeler, founding partner at Swiss FTS, said in a statement.

The infrastructure is located in an independent, highly secure ISO 27001 certified datacentre in Singapore, which has full redundancy in order to maximise availability. Service and maintenance are conducted solely by members of the Swiss FTS team to in order to ensure full control over the environment.

"This enables us to host highly sensitive data securely for all our clients in regulated industries, such as financial institutions," Marc Streit, who heads the Singapore office of Swiss FTS, added.

"Expanding to Asia in 2017 was a logical step for Swiss FTS due to the continuous growth of the region, and Singapore was a natural choice given that it's the commercial centre of the region with its well-developed financial and legal sectors," said Rogier Teo, founding partner at Swiss FTS.

Swiss FTS assists some of the world's largest law firms and organisations with eDiscovery and data hosting in complex cases relating to Fraud, Anti-Corruption, Anti-Trust Regulation Breaches, Arbitration and Litigation and other types of investigations. **PHG**

MENA

FINTECH TO ACCOUNT FOR 8% OF MIDDLE EAST FINANCIAL SERVICES REVENUE BY 2022: REPORT

The fintech sector in the Middle East and Africa is forecast to make up 8% of financial services revenue by 2022, driven by customer demand and increased investment in the sector, according to a report.

The study by New York-based technology company Accenture in partnership with FinTech Hive, an arm of Dubai International Financial Centre (DIFC), foresees substantial growth across the region.

Yet it also acknowledges considerable challenges to the development of financial technology, including a lack of funding, limited market reach, shortage of skills and inconsistencies in regulation.

The report shows that the number of fintech companies registered across Africa and the Middle East grew nine-fold to 839 in 2017, up from just 91 in 2010.

This, the report argues, represents a "huge" opportunity for financial services companies, technology firms and governments. Much of the current fintech activity is concentrated in and around hubs in Dubai, Abu Dhabi and Manama, with African fintech businesses developing in Lagos and Nairobi.

DIFC chief executive Arif Amiri said: "The DIFC tripled its commitment to fintech in 2018.

"We have delivered on this promise by broadening our scope, bringing new partners on board and introducing dedicated streams for insurtech, regtech and Islamic fintech." **CCI**

UNITED ARAB EMIRATES

US CRYPTO FIRM TO OPEN IN ABU DHABI

Seccurency, a US-based provider of financial technology products for the tokenised issuance and trading of securities, is set to open a crypto-asset business under the new Abu Dhabi Global Market regulatory framework in the UAE's capital.

The firm aims to partner with global blockchain companies to launch a fully-regulated crypto-asset business for institutional clients, worldwide.

Seccurency will offer crypto custodial services and an Abu Dhabi-based exchange platform accessing large-scale global liquidity.

"This is the only way to provide stability, overcome challenges and ultimately, facilitate economic development via investment opportunities, particularly for private equity and institutional investors in this region," said John Hensel, chief operating officer of Securrency. **PHG**

UNITED STATES

INVESTORS TRUST OPENS NEW INSURANCE COMPANY IN PUERTO RICO

Investors Trust has announced the opening of ITA International Insurer in the US territory of Puerto Rico, in the latest expansion of the wealth management group in the region.

In a statement issued on 15 February 2019 Investors Trust said: "Puerto Rico is an ideal location for insurers and re-insurers from Latin American, European and other international markets.

"As a United States commonwealth, Puerto Rico's free market economy is subject to both federal and state regulations designed to protect free-market competition; specifically, but not limited to, the insurance and banking industries.

"This position further stabilises Puerto Rico as an attractive domicile for international insurance business and provides legal peace of mind for companies and individuals."

To accommodate these changes, Investors Trust has also established an international financial entity in Puerto Rico to consolidate all banking and custody transactions for the group of insurance companies.

The need for greater diversity and new jurisdictions has led Investors Trust to reposition itself as a multi-jurisdictional insurance group.

"PUERTO RICO IS AN IDEAL LOCATION FOR INSURERS AND RE-INSURERS FROM LATIN AMERICAN, EUROPEAN AND OTHER INTERNATIONAL MARKETS"

Investors Trust

In an exclusive interview with *International Investment*, Ariel Amigo, chief marketing and distribution officer at Investors Trust, explained the choice of Puerto Rico and the company's strategy for expanding in the region. Click below to watch the full interview. CCI

SWITZERLAND

SWISS 'CRYPTO VALLEY' GETS BLOCKCHAIN INCUBATOR

Private investors and consulting firm Lakeside Partners have formed an incubator for blockchain companies in Zug as Switzerland's Crypto Valley continues to grow.

There are already 600 companies in Crypto Valley, and many have Lakeside Partners as investors. The firm has now founded a blockchain incubator called Crypto Valley Venture Capital (CV VC).

CV VC will be covering all stages of crypto and blockchain development, from incubation to later stages. It will invest a fixed amount of seed funding ($125,000) in a large number of promising early stage blockchain companies in return for equity or tokens, starting in Winter 2018 with the first batch of a three-month high-level seed capital program.

"The time is ripe for CV VC," said Mathias Ruch, founder and managing partner at Lakeside Partners and who will head CV VC. "After the initial phase of pioneers, traditional investors and big players of the 'old economy' are starting to take note. Analysts now speak of a new dawn for the industry, with serious companies, serious people and serious money coming into the space."

The first 20 startups are scheduled to start in winter with their three-month incubation program. Mentors include Nicole Anderson (Redsand), Ramon Recuero (ex-Ycombinator), Mona El Isa (Melonport), Stephan Karpischek (Etherisk), Daniel Qin (Wecash) and Guenther Dobrauz (lawyer, investor).

'Crypto Valley': Zug, Switzerland

Lakeside Partners screened over 1000 startups over the last 18 months.
CV VC's investment division will consist of three pillars, each covering a specific stage of the current blockchain and crypto development cycle: incubation, pre-ICO und post-ICO investments.

CV VC's strategy includes international expansion by deploying CV Labs hubs in various global locations, ultimately leading to multiple specialised hubs.

Switzerland as the 'genesis hub' will remain home base, where leading-edge projects benefit from the largest and most advanced blockchain ecosystem and community worldwide.

The move comes at a time when the UK is thinking of regulating cryptocurrencies and Switzerland struggles to keep its crypto 'crown' as offshore rivals ramp up their efforts. **PHG**

LIECHTENSTEIN MOVES TO CREATE LEGAL CERTAINTY AROUND BLOCKCHAIN

Liechtenstein wants to create a legal framework that will offer certainty for tech companies with its new Blockchain Act, which aims to promote the development of a token economy as the race to bank crypto wealth gains speed.

According to prime minister Adrian Hasler, it is important for the state to provide companies clarity about "what is possible and where the concrete boundaries lie".

This is what Liechtenstein aims to achieve with its new Blockchain Act.

As Hasler explained, this is not simply about the financial sector: while blockchain can be used to digitally represent securities, it can also be used for rights of use to vehicles or licensing rights to intellectual property.

"These application fields, which in principle encompass the entire economy, are usually summarised under the term 'token economy'," Hasler wrote in an article in the daily newspaper *Neue Zürcher Zeitung*.

Liechtenstein now wants to promote the token economy with its new law.

By introducing the token as a new legal entity, Liechtenstein is creating an instrument with which any right from the analogue world can be represented digitally. In Hasler's opinion, this is one of the most important innovations of the planned Blockchain Act.

Liechtenstein has set out to become Europe's blockchain hub. Crown Prince Alois has announced his plans to transform the country

IT IS IMPORTANT FOR THE STATE TO PROVIDE COMPANIES CLARITY ABOUT "WHAT IS POSSIBLE AND WHERE THE CONCRETE BOUNDARIES LIE"

Adrian Hasler, prime minister, Liechtenstein

into the place-to-be for blockchain businesses.

However, neighbouring Switzerland has its own ambitions to become Europe's Crypto Nation. The canton of Zug is home to Switzerland's 'Crypto Valley' where blockchain powerhouses such as Ethereum, ShapeShift, Xapo, Tezos, Melonport, and Monetas have established a presence"

In December 2018, the French Government has issued a decree outlining asset tokenisation and the use of blockchain in securities management. Specifically, the "use of a shared electronic recording device for the representation and transmission of financial securities and for the issue and sale of minibonds."

The decree follows up on a previous statement posted by the minister of Economy and Finance in May of 2018. This statement had the purpose to "make the registration of an issue or transfer of financial securities in a blockchain the same as the book-entry of financial securities."

Malta has also devised a blockchain legal framework. **PHG**

CAYMAN ISLANDS

CAYMAN INVESTMENT GROUP PLANS TO LAUNCH CRYPTOCURRENCY EXCHANGE

The Cayman Islands Investment Group (CIIG) has announced the development of a new digital asset trading platform based in the Caribbean jurisdiction.

Results from a recent survey indicate that many traders see the benefit of CIIG's planned exchange. The exchange promises ease of access and a diverse user experience, drawing on the combined expertise of its team.

Its creators claim the new platform will be one of the most ambitious blockchain-related projects to be launched in the region.

Corvin Mclean Jr, managing director at Cayman Islands Investment Group, said: "We are truly excited to present the world with a new platform.

"It is what is needed," said one of the subjects of the test group. "The world is progressing, and it is time the finance sector in the Cayman Islands does too."

The Cayman Islands has long been known as a financial hub for the Caribbean. CIIG is aiming to utilise the same security and compliance measures exhibited in the finance sector for a wider number of users.

CIIG has said the exchange will host a wider range of digital assets beyond the well-known cryptocurrencies, including Bitcoin, Ethereum, Ripple and Monero.

CIIG's exchange is aiming to launch by end of April 2019, with technical trials currently underway. CCI

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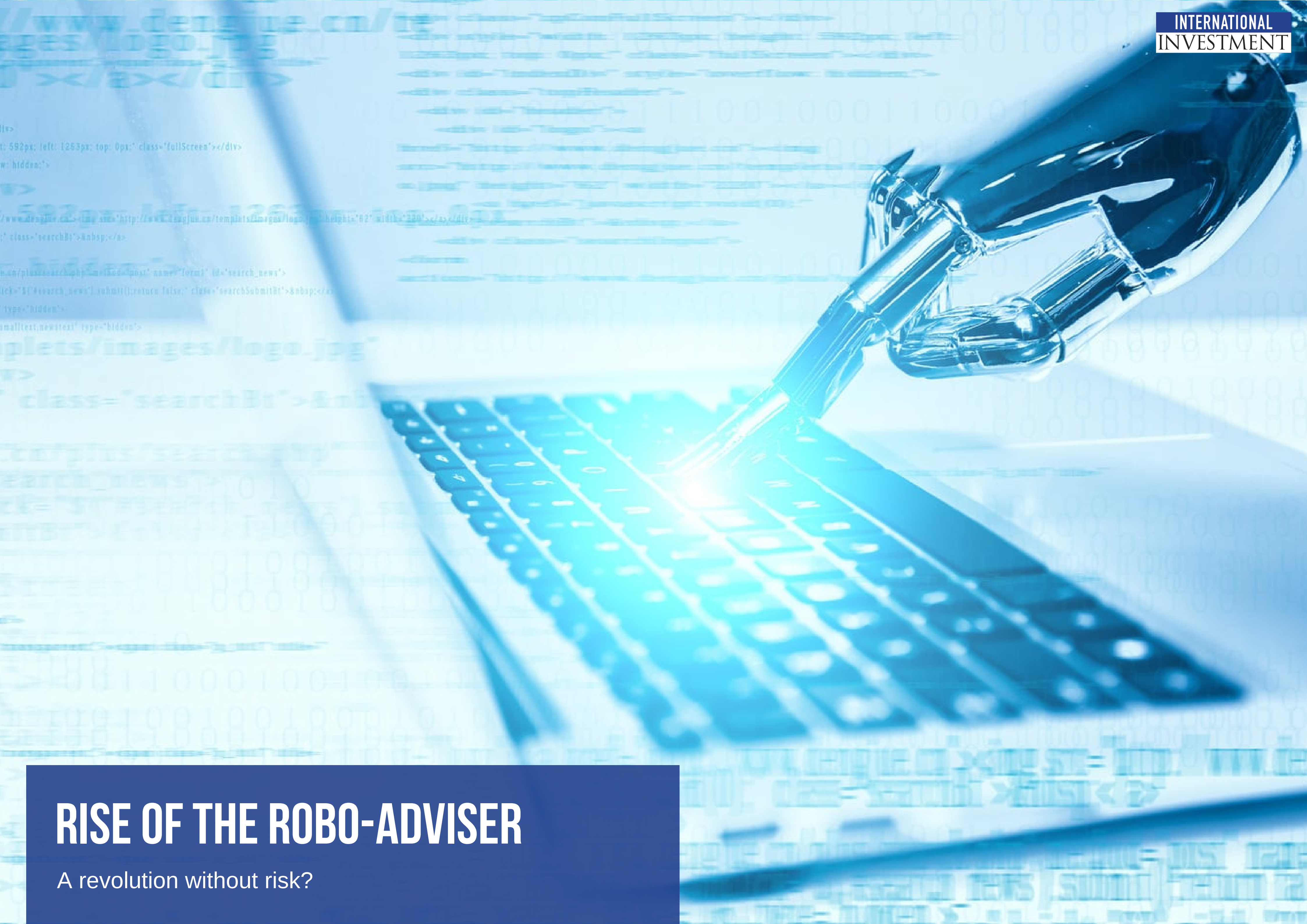

RISE OF THE ROBO-ADVISER

A revolution without risk?

THE SLOW BUT STEADY RISE OF THE ROBO-ADVISER

Using machines to give financial advice makes financial decisions cheaper, turn swathes of left-out consumers into new savers and investors and remove human bias in deciding where and when assets should be bought or sold. But is the robo-advice revolution without risk? By *Pedro Gonçalves*

As the big financial firms are making it harder for even HNWIs to gain access to certain advisory services., robo-advice is bringing costs down and eliminating barriers for what used to be exclusive, expensive and highly personalised advisory services.

Through technology, consumers are now given easy access to customised wealth planning, portfolio allocation.

For instance, Scalable Capital, launched a low-cost financial advice service with sessions with and adviser provided at a fixed fee of 200 on top of an initial, free consultation. On the other end, JPMorgan upped its minimum investment limit from $5m to $10m.

However, even as it brings costs down, that does not mean it is not making money.

According to a Juniper Research study, robo-adviser platform revenue will reach $25bn by 2022, up from an estimated $1.7bn in 2017. The automated investment platforms are widening the appeal of wealth management with their delivery

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method via intuitive smartphone apps, according to the study.

ADAPT OR DIE?

Robo-advice is thriving in the mass affluent market segment, which has traditionally been underserved. It is also giving wealth management firms access to a large new market of millennials who are interested in accumulating wealth, but have had only limited options in terms of investment management.

As a large segment of the population, especially millennials seem to shun traditional advisories in lieu of cost effective technologic solutions, the sector is under pressure to look at its fees and technology strategy.
Although robo-advice to date has gained only a miniscule share of assets under management (AUM), it presents investors with an interesting value proposition— with a price reduction of as much as 70% for some services—and its rate of growth is both rapid and accelerating, according to a report by Accenture.

“Fintech and digital are accelerating the ability to evolve for managers. To some extent, this is about offering new functionality or apps that meet specific needs. But these are short-term fixes. What the sector really needs is a structural upgrade so that it is prepared to meet the evolving, future needs of investors as well,” Mark Trousdale, EVP and CMO at InvestCloud told *International Investment*.

ROBO-ADVICE: THREAT OR OPPORTUNITY TO ADVISERS?

- A threat
- An opportunity
- A mix of both

✚ See results

Per Wimmer, chief executive at the Wimmer Family Office agrees that the disruption in the sector ultimately benefits the client. “Fintech solutions can have meaningful cost advantages allowing smaller investors to benefit from services and advice they were perhaps previously unable to access,” he said.

Despite the digital disruption to the market, the Juniper report found that traditional wealth management players are also adopting new technologies to evolve their business models.

A move that is leaving many financial advisers worried about their jobs in the future.

THE THREAT OF THE ALGORITHM

Analysis published by Forrester Research estimated that, by 2019, robotic automation would change up to 25% of the work associated with all job categories.

The risk is even greater for financial services. Over two-thirds of junior finance professionals in the UK fear that automation of core processes is a threat to their role, according to research from analytics technology firm Metapraxis.

Still, while 67% feel their job is at risk by this technology, 78% agree that it will enable the creation of more strategic value in their finance department and overall business.

“For years it has been known that finance employees feel threatened by the impact that new technologies will have on their day to day role and job security. It is no huge surprise that even digitally native millennials feel the same. However, what our research shows is that unlike their predecessors, these individuals clearly understand the value that data and analytics can bring to the finance function, which is particulary encouraging,” Simon Bittlestone, chief executive of Metapraxis said.

THE IMPORTANCE OF THE HUMAN ELEMENT

As much the technology behind robo-advice evolves and artificial intelligence becomes more reliant, there is one thing that financial advisers bet it will never replace: the human touch.

“Financial planning or advice is a personal service that requires experience, skill and technological knowledge with the appliance of ethics so to ensure tailored solutions specific to an individual,” Jonathon Webb, pensions consultant and financial adviser at Montfort told *International Investment*.

“Basing recommendations on digital algorithms goes against all these principles which can be both damaging and disastrous; particularly so for especially complex financial cases,” he continued.

“Take into further account, our own daily workings with a global network of affiliated IFAs, tax agents, investment managers and legal professionals we regularly call upon to ensure the best solutions for our clients.

“Ranging from representatives from the UK’s own tax office HMRC, the IRS in the United States, to experienced IFAs in Germany, Australia, and beyond – how would a robo-adviser deal with this interaction?” he asks.

For Webb “robo-advice has no place in high-level, complex financial planning”.

Mark Trousdale believes that no technology can be successful without a human hand at the helm.

“The interaction of digital and human empathy is the key to effectively servicing these specific needs.

“This is hybrid wealth management; offline and online services that work harmoniously together to create a better experience for the client, and greater levels of engagement for the manager. It means a better understanding of clients and therefore leads to more opportunities to expand the share of wallet.”

Accenture research indicates that 77% of wealth management clients trust their financial advisers and want to work with them to grow and manage their wealth. Furthermore, 81% say that face-to-face interaction is important – the highest figure of all channels.

Robo-advice will add new capabilities that wealth management firms will need to adopt and integrate but human financial advisers are not quite finished yet.

Pedro Gonçalves is financial correspondent at *International Investment*.

INTERNATIONAL INVESTMENT

FRONTRUNNERS

Hansard's Gareth Maguire explains why the back office is vital to the Fintech revolution

HANSARD WORLDWIDE

FRONTRUNNERS

FINTECH – LEADING FROM THE BACK

Gareth Maguire explains why the role of the back office is vital to delivering on the high expectations generated by new financial technology

Unless you have been living under a rock for the past decade, you will have done well to have avoided an article from the Financial Services media that does not refer to 'Fintech' on an almost daily basis. The term has become so popular, in fact, that in September 2018 it was accepted into the Merriam Webster's Dictionary.

As is often the case with new technology, Banking was the early adopter of Fintech (spawning the imaginatively titled sub-set; 'Banktech'), with an explosion of new start-ups from Silicon Valley readily developing solutions that offer anything from digital currency payment systems to crowd-funding apps.

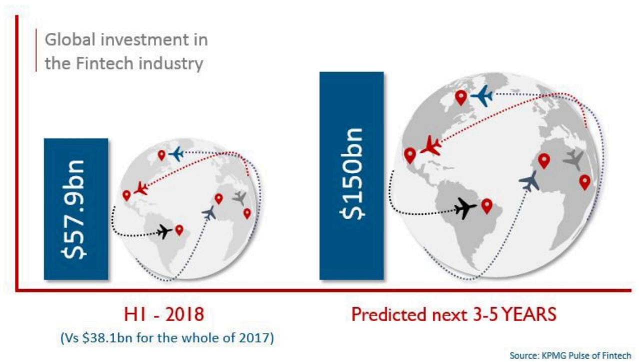
The insurance industry was quick to join the party, with 'Insurtech' following soon after. Some of the smaller, so-called microinsurance companies continue to serve as the guinea pigs for developments in new tech for the industry, with examples including artificial intelligence software that improves risk modelling, smart device usage being used to price household insurance premiums, and wholly-automated platforms using robo-advice.

Here to stay

In its infancy, you would be forgiven for suggesting that Fintech was just a fad, a new buzz word that simply captured the essence of something that had existed for years, after all, finance and technology have always been intrinsically linked; online banking, platforms, digital signatures, banking apps are not new, so what is all the fuss, and why now?

HANSARD WORLDWIDE

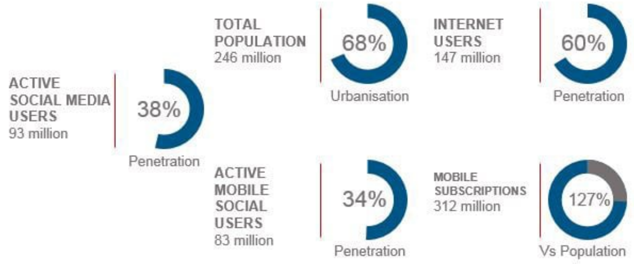
The difference is simple, and can be traced back to the conception of social media. Social media platforms opened the floodgates to a new demographic that consumes and craves new ways of transacting financial affairs, and Fintech has been quick to seize this opportunity. One look at the level of Global investment in Fintech says it all, and the experts expect it to go only one way.



The opportunity

The explanation for the anticipated surge in Fintech spend can be traced to one fundamental factor; the huge capacity for further penetration of the social media market. As an example region, the Middle East perfectly demonstrates why the hype may be justified.

Replicate this kind of potential in every other market with an emerging middle class, and you have the prerequisites for something of a revolution in the way in which financial services are consumed globally.



High expectations

Millennials have grown up with the internet, they are used to having the information that they need at their fingertips.

This reality has somewhat distorted the traditional expectations of what 'good service' levels look like, according to a sparkresponse.com survey:

- 70% of millennials expect a company website to include a self-service application. 40% prefer self-service over human interaction;
- 25% of millennials expect a response from a customer service team in 10 minutes, via social media;
- Millennials want their problem solved, first time, on the channel that they choose. 25% will leave a brand after one bad experience;
- Customer service should be mobile friendly, i.e. free to call, sites should be responsive for web chat and self-service for any device.

Where Fintech fails

As compelling as the Fintech story is, however, the solution to tapping into the burgeoning masses of tech-savvy millennials that require new financial products is not as straight forward as teaming up with a Silicon Valley start-up and advertising via Facebook, and the reason lies in something that is valued much higher than accessibility; serviceability.

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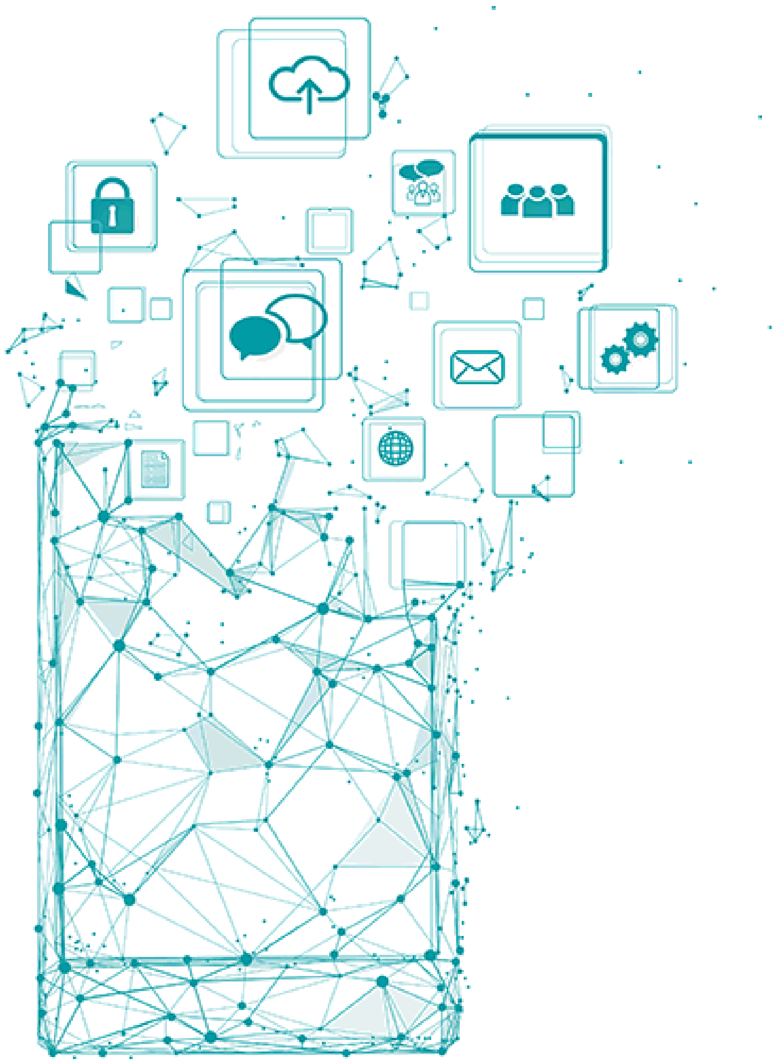

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OUR TECH, AT YOUR SERVICE

OUR MARKET-LEADING SERVICE AND AWARD-WINNING ONLINE SYSTEMS CAN HELP YOU AND YOUR CLIENTS REACH THEIR GOALS

Only 33% of Insurtechs launched between 2013 and 2015 focused on the back office, according to a 2017 Business Insider report, but that figure surged to 61% in 2017. This suggests that even the newest entrants realised that the biggest opportunity for adding value lies in optimising the most fundamental, and therefore complex operations, rather than making cosmetic fixes.

Whilst the back office may not be the shiny Fintech veneer that attracts new customers through the front door, it is the foundation on which any proposition that values service is based. Its importance was underlined in a 2018 Capgemini study that confirmed that 60% of customer satisfaction originates in the back office, and that 10-20% of call centre volumes are attributable to execution issues in the back office.

Delivering on high expectations

It is the challenge to remain 'relevant' to the next generation of financial advisers and their clients that companies in the industry now face; through the channels via which our products and services are made available, and delivering on the high levels of service that they demand. So whilst the development of Fintech will no doubt continue to grab the headlines and change the way in which financial products are consumed into the future, it is ultimately the back office that will retain the responsibility for backing up the high expectations that this new technology sets.

"The continual investment in our back office and award-winning systems is the cornerstone of a proposition that has enabled Hansard to serve our clients and financial advisers around the world for over thirty years"

Gareth Maguire, Hansard

The continual investment in our back office and award-winning systems is the cornerstone of a proposition that has enabled Hansard to serve our clients and financial advisers around the world for over thirty years.

It is this investment that has also enabled us to consecutively retain service ratings that are unrivalled by other companies in our industry, and that will continue to serve financial advisors into the future, however it may look.

Gareth Maguire is Head of Marketing at Hansard.

HANSARD
WORLDWIDE

VIDEO: THE ADVISERS' VIEW

DeVere CEO and founder Nigel Green on how technology is set to transform the advice industry

"The evolution is happening very quickly. I'm almost going to say that it is not evolution it is revolution...

"It used to be that is was just face to face advice Now [and the in the future] I don't see that."

NIGEL GREEN, DEVERE GROUP

VIDEO REPORT: THE ADVISER'S VIEW

In this exclusive video report, ***Gary Robinson*** meets with one of the international investment world's most experienced advisory heads **Nigel Green**, CEO & founder of **deVere Group** (click on the left to view).

Green is a well-known advocate of technology with various Apps launched in recent times including deVere Vault and an enviable back-office system that the company believes is the best in the business.

He has also – not surprisingly controversially – backed crypto-currencies as a viable alternative investment (within a balanced portfolio) and a serious challenger to traditional banking services.

In this interview Green reveals why embracing technology is vital to deVere and how fintech can lead to a tiered system of financial advice that to suit a range of different clients' needs.

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View your card PIN number
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INTERNATIONAL INVESTMENT

ASIAN WEALTH MANAGEMENT

In the fintech crosshairs

IN THE FINTECH CROSSHAIRS

The massive generational transfer of wealth across Asia Pacific, aligned with the proliferation of smart phones as payment devices and maturing investment knowledge, created a vibrant demand for new money management services. This is one opportunity that Asian entrepreneurs are determined not miss out on, writes *Pedro Gonçalves*

Asia has many things going for it in the race to become the new El Dorado of fintech: it boasts two of the largest and fastest growing economies; it is full of millennials who openly embrace technology; and it has a more adventurous investment culture than many of the competing Western countries.

Singapore and Hong Kong are vying to become the prime fintech hub for the region, with the winner getting the opportunities that come from helping economic growth across the region.

In this world, money is not an obstacle if the idea is good. Total fintech funding in Asia skyrocketed 740% to $16.8bn in H1 2018 from a $2bn record in H2 last year, according to a report by KPMG.

The accounting firm notes that the increase was mainly due to the $14bn venture capital funding round by China's Ant Financial.

"Excluding this mega-deal, Asia still saw strong fintech investment, including QoQ increases in overall fintech investment in India, Australia, and Singapore," the firm said.

KPMG also noted that Asia's fintech investors continued to prioritise blockchain and Artificial Intelligence (AI), in addition to insurtech and regtech.

"In ASEAN, we are starting to see phase two of the fintech revolution with bigger Chinese fintechs setting their sights on countries in the region as the next step in their growth agenda," KPMG Singapore head of financial services advisory Chia Tek Yew said.

MADE IN ASIA

China's powerful fintech companies are ready to make a greater push for expansion abroad, starting with the Asian market.

Having taken a stronghold in the world's second-largest economy, the firms are setting their sights firmly on globalisation.

Chinese fintech behemoths like Alibaba subsidiary Ant Financial and technology giant Tencent are building their market share of wealth management customers both domestically and increasingly throughout South-East Asia.

Tencent's Webank is poised to become a template for the distribution of a full range of financial services in the future.

Beijing based tech wealth manager CreditEase upped its presence in Singapore last year with the opening of a larger office targeting Southeast Asian wealth.

IS ASIA BEST PLACED FOR FINTECH?

- Yes, it remains the global hub for growth
- No, it has been replaced by other regions
- Not sure - it is one of a few key regions

See results

Japan's SoftBank is backing ZhongAn Online P&C Insurance, China's first online insurer, as the company takes its technology into international markets.

Ant Financial Services Group, the operator of China's biggest online payment platform, started its globalisation in 2015 by cooperating with India's Paytm, which had the world's third largest digital wallet by the end of 2017.

After a first try in India, Ant Financial expanded its business to Thailand, the Philippines, South Korea, Indonesia and Malaysia through joint ventures established with local partners.

FINTECH: THE FORCE DISRUPTING TRADITIONAL WEALTH MANAGEMENT

Asian wealth management is at a crossroads, as fintech is spurring innovation that is disrupting traditional banking and wealth management, from the back office to client engagement.

"Any industry needs to adapt to survive. For investment managers, advisory fees are under massive pressure, and when polled, investors are by and large dissatisfied with their money management relationships. A lot of this has to do with digital gaps in managers' offerings," Mark Trousdale, EVP and CMO at InvestCloud told *International Investment*.

"Fintech and digital are accelerating the ability to evolve for managers. To some extent, this is about offering new functionality or apps that meet specific needs. But these are short-term fixes. What the sector really needs is a structural upgrade so that it is prepared to meet the evolving, future needs of investors as well," he added.

As fintech companies shake up the status quo, banks have had to adapt and reinvent themselves by focusing on technology to offer more to customers.

"Some fintechs are indeed taking up some traditional banking roles - e.g., those that provide lending facilities. That works if you are selling to individuals. But what fintechs who enable other businesses have found is that if they are operating as banks – or as financial advisers, for that matter – they are effectively competing with their business clients. That is bad business," Trousdale said.

DBS, Southeast Asia's biggest bank, recently unveiled a service that will allow wealthy clients

"IN ASEAN, WE ARE STARTING TO SEE PHASE TWO OF THE FINTECH REVOLUTION"

Chia Tek Yew, KPMG

to interact with their relationship managers on WeChat and WhatsApp.

According to the Singapore-based lender, this is in a bid to allow for speedier service delivery to clients as well as enhance the ease and quality of relationship manager to client interaction. With the launch of this service, DBS said that an estimated 10,000 man-hours can be saved on a yearly basis.

"We recognise that customers today are inundated with different apps and services and decided to go where our customers already are – WhatsApp has upwards of 1.5 billion users, while WeChat has close to one billion users. Our aim is to provide banking services that are embedded in our customers' everyday lives, while maintaining client privacy and keeping to our rigorous security requirements," said Tan Su Shan, group head of consumer banking & wealth management of DBS.

Fintech is creating such a buzz in Singapore and Hong Kong that regulators are encouraging them to set up shop and innovate. The Monetary Authority of Singapore is one of only two regulators in the world to have a separate fintech division – the other being the UK's Financial Conduct Authority.

The fintech industry in Asia has gained a legitimate status and everyone, from banks to government, is starting to pay attention to its development.
However, technology in the financial ecosystem is still a far cry from eliminating the personal touch a financial adviser can offer.

"Fintech is a strong addition to the human touch in wealth management but will never be the full replacement," Per Wimmer, of Wimmer Family Office, told *International Investment*.

INTERNATIONAL INVESTMENT

DIRECTORY: PROFESSIONAL SERVICES

A listing of some of the biggest
players in offshore financial services

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e-mail: adviser.support@canadalifeint.com. Web: www.canadalifeint.com

Profile: Canada Life International Limited (CLI) established 30 years ago remains one of the leading offshore providers with assets under administration of £14.3bn (as at 31 March 2017). CLI is the only offshore insurer to maintain a five-star AKG Annual Financial strength rating for 14 consecutive years. Through CLI Institutional Limited, institutional and UHNW clients have a level of policyholder protection that isn't otherwise available in the UK offshore market. In 2015, CLI also completed the acquisition of Legal and General International (Ireland). This has enhanced the choice available to UK investors by providing them with a choice of jurisdictions within one compelling offshore proposition.

Offering: Canada Life International Limited (CLI) offer a wide range of regular and single premium investment bonds, tax and estate planning solutions and whole of life protection solutions. Our investment options include full open architecture, links to over 40 platforms and over 150 discretionary investment managers as well as over 150 internal linked funds. Our team of technical specialists offer more than 200 years of experience in taxation, trusts, estate planning and pensions between them. In addition, we publish and back our service standards with a no quibble, non-performance penalty system.

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e-mail: enquiries@generali-worldwide.com

Profile: Generali Worldwide is a wholly owned subsidiary of the Generali Group. Founded on the strength of this international presence and wide-ranging expertise, Generali Worldwide specialises in offering life insurance-based wealth management and employee benefit solutions to a global audience, including multinational organisations, international expatriates and local resident populations in licensed territories.
The company's head office is based in Guernsey, a premier international financial centre, and is a registered insurer under the Insurance Business (Bailiwick of Guernsey) law, 2002 (as amended). It is also an authorised insurer in the Bahamas, British Virgin Islands, Cayman Islands, Hong Kong, Jersey and Singapore.

Offering: A range of individual unit-linked regular and single premium-based savings, retirement and investment plans and an open-architecture portfolio bond along with group retirement and savings products, group life and disability and healthcare products.

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Profile: Hansard International has been providing innovative financial products and services for international clients since 1987 and forms part of Hansard Global plc, which is listed on the London Stock Exchange. We administer assets in excess of US$1bn for over 500 financial advisor businesses with over 40,000 client accounts, in over 155 countries. We are celebrating our 30th anniversary in 2017, and already planning ahead for the next 30 years.

Offering: In the ever-changing landscape of financial services, Hansard International prevails as a steady and constant presence. Whilst other providers around us have changed their name, ownership, identity and focus over the years, Hansard International has remained committed to providing innovative financial products and services for financial advisers and their international clients. This strong heritage, which is coupled with exceptional levels of service and a focus on innovation through the use of technology, makes us an exceptional proposition in our marketplace.

Investors Trust

E-mail: advisers@investors-trust.com; Web: www.investors-trust.com; LinkedIn: www.linkedin.com/company/investors-trust

Profile: Investors Trust was established in 2002 as an international insurance group to provide a modernised approach with products designed to meet the demands of different markets. Over the years, Investors Trust has become a leader in the industry by continuing its focus on flexible solutions, enhanced opportunities, advanced technologies and world-class customer support.

Offering: Investors Trust works with some of the world's top asset managers under its convenient open architecture platform. Specialising in medium to long term unit-linked investment products, Investors Trust offers a broad range of flexible solutions to satisfy the individual needs of international investors. With multiple jurisdictions to choose from, Investors Trust gives investors the power to select and build a plan that fits their current lifestyle while generating wealth to reach their financial goals.

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Old Mutual International is a leading cross-border provider of wealth management solutions. Our aim is to help financial advisers manage and grow their clients' investments; not just for their own future, but for their family and the generations to come.

We are one of the few financial service providers to operate in multiple global markets, offering effective financial planning solutions to expatriates and local investors across the world including Africa, Asia, Europe, Latin America, and the Middle East.

In an ever-changing regulatory landscape, it's crucial that financial advisers stay ahead of the game. We are here to give them all the support and technical expertise they need to help them maximise opportunities for their clients.

Old Mutual International is part of Quilter, a leading provider of advice, investments and wealth management both in the UK and internationally, managing over £100 billion of investments on behalf of over 900,000 customers (as at 31 March 2018). Quilter plc, our group holding company, is listed from 25 June 2018 on the London and Johannesburg stock exchanges.

4th Floor, Rodus Building, Road Reef, Road Town Tortola, British Virgin Islands

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e-mail: info@premiertrustglobal.com; Web: www.premiertrustglobal.com

Profile: Premier Trust offers a uniquely tailored suite of unit-linked products that grant international investors the opportunity to create a portfolio of investments in a simple and sustainable manner. Premier Trust, part of PA Group's Life and Investment division, provides clients access to some of the world's leading fund and asset managers as well as best-in-class custodians. From protecting our clients' health with worldwide coverage to helping them achieve a successful financial future, PA Group creates financial security road maps for life's most significant events. For over 18 years, PA Group has guided and protected our clients with comprehensive health and wealth accumulation solutions.

Offering: Our investment products include regular savings and lump sum premium plans with principal protection in multiple currencies (USD, AUD, EUR, GBP), as well as plan options with a broad selection of investment funds and ETFs. With a dedicated administration team and a proprietary online platform, Premier Trust delivers personalised customer service with multi-language support to advisers and clients in over 40 countries. For more information on Premier Trust's investment solutions, visit www.premiertrustglobal.com.

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RL360° is one of the fastest growing international life companies, with offices around the globe and policyholders residing in 170 countries at all points of the compass.

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Tel: +44 (0) 1624 643 468 (Telephone calls may be recorded)
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Profile: With a 25-year heritage, Utmost Wealth Solutions is a provider of award-winning offshore bonds for high-net-worth UK residents. Having recently opened a Dublin office to complement our long-established Isle of Man base, we can now offer a choice of jurisdiction in addition to a range of investment options, including a bond with full discretionary management. Recognising the complex and continually changing financial planning landscape, our highly-respected technical support can help you consider appropriate solutions for your high-net-worth clients. With £12bn funds under management and 36,000 policyholders (31 December 2016), we're here to make a wealth of difference.

Offering: Flexibility and choice are at the heart of our single premium bonds. Our Isle of Man-based Evolution offers access to a wide range of investment options. The Estate Planning Bond, also Isle of Man-based, is combined with a discounted gift trust and is designed for IHT planning. We also have two Dublin-based life assurance bonds. Selection offers access to a wide range of open architecture investment options, while Delegation provides access to all the investment flexibility offered via a discretionary fund manager. Utmost Trustee Solutions, our in-house trustee service delivers expert support in all trust administration matters

Thank you for reading

INTERNATIONAL INVESTMENT'S FINTECH SPECIAL REPORT